



## Interim (Consolidated) Financial Statements for the Fiscal Year Ending June 2006

February 16, 2006

Name of listed company: The Goodwill Group, Inc. Listed exchange: TokyoTSE - 1  
 Code No. 4723 Prefecture in which head office located: Tokyo TSE - 1  
 (URL: <http://www.goodwill.com>)  
 Representative Title: Representative Director, Chairman and CEO Name: Masahiro Origuchi  
 Contact Title: Managing Director and CFO Name: Akira Kanazaki Tel: 03-3405-9228  
 Date of Board of Directors meeting to approve accounts: February 16, 2006  
 Name of parent company etc. (Code No: — ) Parent company etc. voting rights in the company: — %  
 US accounting standards used: No

### 1. Consolidated results for the fiscal half-year ending December 2005 (July 1, 2005 to December 31, 2005)

(1) Consolidated business results Note: Amounts are rounded down to the nearest ¥1 million.

	Revenues		Operating profits		Recurring profits	
	¥1 million	%	¥1 million	%	¥1 million	%
Fiscal half-year ending December 2005	87,543	28.8	3,952	10.3	3,302	11.8
Fiscal half-year ending December 2004	67,959	60.0	3,583	10.4	2,955	-4.9
Fiscal year ending June 2005	142,157		5,621		4,320	
	Interim (full-year) net income		Interim (full-year) earnings per share		Interim (full-year) earnings per share adjusted for latent shares	
	¥1 million	%	Yen	Sen	Yen	Sen
Fiscal half-year ending December 2005	1,304	-13.5	2,105	79	1,887	30
Fiscal half-year ending December 2004	1,507	9.8	2,378	10	2,378	10
Fiscal year ending June 2005	1,463		2,233	72	—	—

Notes:

- Equity-method investment profit/loss: None in fiscal half-year ending December 2005; none in fiscal half-year ending December 2004; none in fiscal year ending June 2005.
- Average number of issued and outstanding shares (consolidated) during the term: 619,383 shares for the fiscal half-year ending December 2005; 633,813 shares for the fiscal half-year ending December 2004; 628,348 shares for the fiscal year ending June 2005.
- Change in accounting methods: Yes.
- Percentages shown for revenues, operating profits, recurring profits and interim (full-year) net profits represent year-on-year rates of change.

(2) Consolidated financial figures Note: Amounts are rounded down to the nearest ¥1 million.

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share	
	¥1 million	¥1 million	%	Yen	Sen
Fiscal half-year ending December 2005	144,896	36,908	25.5	59,588	53
Fiscal half-year ending December 2004	109,758	38,540	35.1	61,430	71
Fiscal year ending June 2005	125,459	36,130	28.8	58,235	69

Notes: Term-end issued and outstanding shares (consolidated): 619,383 shares for the fiscal half-year ending December 2005; 627,383 shares for the fiscal half-year ending December 2004; 619,383 shares for the fiscal year ending June 2005.

(3) Consolidated cash flow results Note: Amounts are rounded down to the nearest ¥1 million.

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents Term-end balance
	¥1 million	¥1 million	¥1 million	¥1 million
Fiscal half-year ending December 2005	-2,068	-4,086	10,376	28,047
Fiscal half-year ending December 2004	-1,321	-8,123	11,397	16,134
Fiscal year ending June 2005	414	-16,921	25,413	23,187

(4) Matters related to the scope of consolidation and application of the equity method

Consolidated subsidiaries: 19 companies Equity-method non-consolidated subsidiaries: 0 companies Equity-method affiliates: 0 companies

(5) Changes in scope of consolidation and application of equity method

Consolidation (new): 9 companies (Excluded): 0 companies Equity-method (new): 0 companies (Excluded): 0 companies

### 2. Consolidated results forecast for the fiscal year ending June 2006 (July 1, 2005 to June 30, 2006)

	Revenues	Recurring profits	Net income
	¥1 million	¥1 million	¥1 million
Full year	180,000	6,500	3,000

(Reference) Forecast (full-year) earnings per share: ¥4,746.65

(forecast earnings per share after adjusting for conversion of the convertible bond with warrants issued on February 16, 2006 and the share

split on March 1, 2006: ¥1,474.92)

The Goodwill Group, Inc.

### 3. Business results and financial status

#### Business results

Consolidated revenues, gross profits and recurring profits for the interim accounts of the fiscal year ending June 2006 recorded the highest levels ever seen by the company for its interim accounts. Compared to the interim accounts of the previous year, revenues were up 28.8%, gross profits 28.8% and recurring profits 11.8%.

#### Results highlights for the interim accounts of the fiscal year ending June 2006

(Unit: Rounded down to the nearest 1 million yen)

	This consolidated interim accounting term	Previous consolidated interim accounting term	Rate of change
Revenues	87,543	67,959	28.8
Cost of sales	58,606	45,487	28.8
Gross profits	28,937	22,472	28.8
Amortization of consolidated adjustment account	885	860	2.9
Operating profits	3,952	3,583	10.3
Interest expenses	593	551	7.7
Recurring profits	3,302	2,955	11.8
Net income	1,304	1,507	-13.5

#### Overview of this consolidated interim accounting term

During this consolidated interim accounting term, the domestic economic environment was generally solid, particularly in export sectors, supported by strong performance in the US and Asian economies. However, the situation did not allow for over-optimism because of skyrocketing oil prices, volatile exchange rates and other factors for uncertainty.

Within this economic context, the group's core businesses of "human resources services" and "nursing and health care support" continued to perform strongly, with demand rising and markets expanding.

In "human resources services" economic recovery caused corporate staffing needs to rise, while efforts to reduce costs and increase management efficiency produce substantial expansion in the demand for temporary staffing and similar services. The Goodwill Inc. responded by increasing its number of registered staff and expanding its branch offices so as to enhance its network and supply capacity and achieve steady growth. Economic recovery also brought about an increase in large commercial events held by corporations, and Soar Co., Ltd. actively sought orders for their planning, installation and administration etc.

In the "human resources business," high-tech companies and others have strong demand for talented staff, while greater use of early retirement systems is accelerating labor-market liquidity. The company offers a full lineup of staffing services in order to accurately meet this demand, including personnel referrals, reemployment support services and employee counseling services. We are currently at the upfront investment stage as we attempt to rebuild this business.

The market for "nursing and health care support" is rapidly expanding due to increases in the elderly population and the spread of nursing care insurance. COMSN, Inc. enjoys particularly strong brand and marketing power, which brought continued increases in its customer numbers during the interim accounting term and enabled it to continue to diversify its services for the elderly, offering a lineup that extends from home services to institutionalized care.

As a result, consolidated revenues for the interim accounting term rose by ¥19,583 million compared to the first half of last year to arrive at ¥87,543 million. This substantial rise in revenues was driven primarily by the continued solid performance in the "human resources services" and "nursing and health care support" businesses. Consolidated recurring profits rose ¥347 million year-on-year to ¥3,302 million. Consolidated interim net profits declined by ¥202 million year-on-year to ¥1,304 million.

Below are segment results for this consolidated interim accounting term.

(Human resources services)

(Unit: Rounded down to the nearest 1 million yen)

	This Year	Last Year	Rate of increase (%)
Revenues from outside customers	54,720	41,235	32.7
Inter-segment revenues	171	57	199.0
Total revenues	54,891	41,292	32.9
Operating profits	4,237	3,051	38.9
Amortization of consolidated adjustment account	14	14	—
Operating profits prior to amortization of consolidated adjustment account	4,251	3,065	38.7

In “human resources services” economic recovery during this consolidated interim accounting term caused corporate staffing needs to rise, while efforts to reduce costs and increase management efficiency produce substantial expansion in the demand for temporary staffing and similar services. Even though the economy is in recovery, companies are not increasing full-time staff but are instead opting to make greater use of part-timers and temporary employees so as to restrain fixed expenses and achieve further improvements in management efficiency. Recent statistics on forms of employment indicate that the ratio of non-full-time employees is in excess of 30% and continues to rise.

Goodwill’s primary advantages in the “human resources services” business are its registered staff of approximately 2.04 million people (excluding approximately 50,000 people in a construction subcontracting subsidiary that was sold), which gives it the largest personnel database in Japan, and its utilization of IT systems to enable extremely precise matching. Continuing improvement in economic conditions will only make it more difficult for companies to attract staff. Hiring staff in-house requires advertising and other recruiting expenses as well as burdensome labor management obligations, and short-term hiring is becoming particularly difficult in comparison to long-term. In these conditions, the Goodwill business model provides merits to both the company and the worker.

For companies, access to our database resources enables the sourcing of staff for short-term needs of as little as two hours per day so that firms can avoid loss of sales due to understaffing at busy times while also controlling their costs and reducing total payroll.

For registered staff, the Goodwill system means that schedules are not bound in advance. People can choose to work when they want at jobs they prefer from as little as two hours a day and are paid in cash on a daily basis. Wages rise as worker skills improve, giving registered staff increased motivation.

Goodwill offers a very high value-added system that is able to match the skills and numbers required by companies with the varied forms of work desired by workers.

Goodwill began actively publicizing its “Mobaito.Com” web site in the mass media about three years ago and has run extensive television commercials that have achieved high degrees of recognition for the company and increased its brand power to give it predominant advantages in both recruiting and marketing. Efficient utilization of IT systems has the benefit of not increasing relative hiring costs.

While there is a tendency to increase wages (and therefore hiring costs) during strong economic periods so as to secure necessary staff, Goodwill provides high added value in the form of a sophisticated matching system, daily cash payments and convenience. These attractions enable it to recruit staff without increasing hiring unit costs and to provide companies with stable human resources. This system has been a key factor in further increasing its competitive advantage.

The company’s business model differs from its competitors’ in terms of the added value that it provides. Goodwill uses a one-day contract term for both corporations and registered staff in contrast to ordinary long-term staffing firms that have minimum contract periods of one month, which enables staffing levels to be accurately adjusted to reflect work volumes. As a result, the business model is able to maintain high profit margins and stability.

Growth business sectors include manufacturing and inspection lines (due to the 2004 relaxation of restrictions on temporary staff referrals to manufacturing plants, which has significantly expanded demand), restaurants and general offices. In technical staff referrals, Goodwill Engineering, Inc. has seen rapid expansion in four segments: industrial machinery, electrical/electronic equipment, information processing and control.

Economic recovery has made companies more aggressive and resulted in an increase in large commercial events. Soar Co., Ltd. specializes in meeting that demand.

As a result, the company’s “human resources services” business produced revenues of ¥54,720 million and operating profits of ¥4,237 million during the consolidated interim accounting term.

## (Human resources business)

(Unit: Rounded down to the nearest 1 million yen)

	This Year	Last Year	Rate of increase (%)
Revenues from outside customers	1,269	2,085	-39.1
Inter-segment revenues	5	16	-65.2
Total revenues	1,275	2,101	-39.3
Operating profits	-268	43	—
Amortization of consolidated adjustment account	145	123	17.5
Operating profits prior to amortization of consolidated adjustment account	-123	167	—

During the consolidated interim accounting term, the human resources business took steps to round out its lineup so as to accurately respond to increasing demand as job-market liquidity accelerates. Goodwill Career, Inc. is responsible for personal referrals; Hu-Management Japan Co., Ltd. for reemployment support services; and Goodwill Foresight, Inc. for employee assistance programs (EAP).

The synergies created by cross-functional utilization of management resources among group companies enable us to provide clients with a wide range of tailor-made services. We are currently at the upfront investment stage as we work to rebuild this business.

As a result, the human resources business generated revenues of ¥1,269 million and an operating loss of ¥268 million during the consolidated interim accounting term.

## (Nursing and health care support business)

(Unit: Rounded down to the nearest 1 million yen)

	This Year	Last Year	Rate of increase (%)
Revenues from outside customers	31,026	24,229	28.0
Inter-segment revenues	0	0	—
Total revenues	31,026	24,229	28.1
Operating profits	557	593	-6.1
Amortization of consolidated adjustment account	714	714	—
Operating profits prior to amortization of consolidated adjustment account	1,271	1,307	-2.7

During this consolidated interim accounting term the nursing and health care support business experienced sharp growth in the nursing market, which was driven by the rapid aging of Japanese demographics. In FY 2004, the population over 65 was 25.39 million, accounting for approximately 20% of the entire population; by 2015 it is forecast to rise to approximately 32.00 million, or 25%. Similar rises are expected for nursing care insurance benefits, which are estimated to go from approximately ¥5.5 trillion in FY 2004 to a minimum budget of ¥12.0 trillion in 2012 and more than ¥20.0 trillion in 2025. Dramatic changes are being seen in attitudes of the elderly. Only about 6% of the total want nursing care to be provided by their families; the spread and increased recognition of nursing care insurance has created a widespread desire to leave nursing care to the professionals.

Within the group, COMSN, Inc. provides a comprehensive menu of nursing care services, ranging from visiting nursing to institutional care such as group homes for senior citizens with senile dementia and resident-paid nursing homes. COMSN, Inc. uses television commercials to publicize its activities, which has gained it predominant name recognition and overwhelming competitive advantage as it differentiates itself from the competition on both the marketing and recruiting sides.

The most important aspect of the nursing care business is to provide customers with comfort and hospitality. Being performed repeatedly, day in and day out, nursing care is a business that requires high levels of communication skill. The nursing care itself must be high-quality, and senior citizens must be treated with respect and warmth at all times. COMSN, Inc. has a corporate ideal of “respecting the dignity and independence of senior citizens,” and it is with that in mind that approximately 23,000 care staff provide high-quality nursing services to senior citizens around Japan each and every day. All of our care staff work in close coordination with hospitals, local governments, other nursing care providers, public facilities and other institutions in their marketing activities. These efforts enabled the company to emerge as the No. 1 provider of visiting nursing care services in Japan last year when measured in customer numbers, and it will continue to grow and expand as the top company in this industry.

The company is also working actively to enhance its lineup of high-quality support services to better meet the needs of senior citizens living at home. Examples include rentals and sales of welfare equipment, home dental services, nursing care taxis, barrier-free services and masseuse referrals.

As a result, the nursing care business produced revenues of ¥31,026 million for operating profits of ¥557 million during the consolidated interim accounting term.

(Senior residence and restaurant business)

(Unit: Rounded down to the nearest 1 million yen)

	This Year	Last Year	Rate of increase (%)
Revenues from outside customers	—	—	—
Inter-segment revenues	—	—	—
Total revenues	—	—	—
Operating profits	-529	—	—
Amortization of consolidated adjustment account	—	—	—
Operating profits prior to amortization of consolidated adjustment account	-529	—	—

During the consolidated interim accounting term, the senior residence and restaurant business moved forward with progress made on two new “Barrington House” projects that feature luxury residential communities with health-care services for an entirely new concept in senior services. The business model does not depend on nursing care insurance and it is geared to residents who are “older” as well as senior citizens. As an asset-based business, its model is closer to that of the hotel industry.

This in turn requires large upfront investments (we budget approximately ¥25.0 billion total for purchase of land and construction of buildings for the two projects) and a period of two or three years before opening.

We are currently investing in advance publicity and advertising to recruit residents for “Barrington House Baji Koen” (scheduled to open in May 2006) and “Barrington House Kichijoji” (scheduled to open in March 2007), and these investments will be recovered once residence and operations began. This business was therefore still in the upfront investment stage during the term.

As a result, it will show an operating loss of ¥529 million for this consolidated interim accounting term.

(Other businesses)

(Unit: Rounded down to the nearest 1 million yen)

	This Year	Last Year	Rate of increase (%)
Revenues from outside customers	527	409	28.8
Inter-segment revenues	0	0	0.0
Total revenues	528	409	29.0
Operating profits	-78	-140	44.5
Amortization of consolidated adjustment account	11	8	36.4
Operating profits prior to amortization of consolidated adjustment account	-66	-131	49.8

In other businesses, the child day care services market is poised for expansion as more women join the workforce, the infrastructure is put in place to assist with child-rearing and demand for day care services rises. With the enactment of the “Law to Promote the Assistance in Rearing the Next Generation,” we are also seeing growth in specific requests for child day care services from companies, government agencies, medical institutions, schools and other organizations placing new emphasis on childcare support programs and plans.

In the pet services market, more pets are now kept indoors than outdoors and there have been substantial increases in the percentage of single households and senior households keeping pets. We anticipate expansion in the size of the senior market in particular and look forward to synergy with COMSN, Inc. nursing care services.

As a result, other businesses produced revenues of ¥527 million for operating losses of ¥78 million during the consolidated interim accounting term.

**Financial status****Overview of this consolidated interim accounting term**

Cash and cash equivalents (“cash” hereinafter) grew ¥11,913 million (year-on-year) during consolidated interim accounting term to reach ¥28,047 million. Below is an overview of cash flows and driving factors.

**(Cash flows from operating activities)**

Cash decreased by ¥2,068 million as a result of operating activities (¥1,321 million decline at last year’s interim). This was due to an increase in sales credits, primarily because of expanding sales in the human resources services and nursing and health care support businesses. Other factors included higher payments of corporate taxes etc. due to higher profits and an increase in branch offices and business locations.

**(Cash flows from investing activities)**

Cash decreased by ¥4,086 million as a result of investing activities (¥8,123 million decline at last year’s interim). This was primarily because of the acquisition of tangible fixed assets for the construction of resident-paid nursing homes and an increase in lending as funds for the development of Food Scope, Inc. stores.

**(Cash flows from financing activities)**

Cash increased by ¥10,376 million as a result of financing activities (¥11,397 million at last year’s interim). At work in this were the ¥25.0 billion in proceeds from the “Goodwill Group, Inc. Yen-Denominated Convertible Bond-Type Bond with New Share Acquisition Rights Maturing in 2009” issued on September 16, 2005 and the repayment of ¥13,220 million in short-term borrowings.

**Outlook for the full consolidated accounting year**

With the Japanese economy in recovery, the strong performance of large corporations is spreading to outlying areas and smaller companies are showing greater degrees of activity.

We anticipate that companies will continue to seek gains in management efficiency and will accelerate their use of outsourcing as a means to move payroll from a fixed to a floating expense.

In light of these conditions, we think that the latter half of the year will record stable earnings and allow this business to move into the growth stage as we utilize our predominant networks and staffing capacity to meet rising demand.

The company forecasts consolidated revenues of ¥180,000 million, consolidated recurring profits of ¥6,500 million and consolidated net profits of ¥3,000 million for the full accounting year. These figures are unchanged from the results forecast published on August 23, 2005.

## 4. Consolidated interim financial statements

## (1) Consolidated Interim Balance Sheet

Classification	Note number	End of previous consolidated interim accounting term (December 31, 2004)		End of this consolidated interim accounting term (December 31, 2005)		Previous consolidated accounting year Summary consolidated balance sheet (June 30, 2005)	
		Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)
<b>(Assets)</b>							
<b>I Current assets</b>							
1. Cash and deposits	*1	16,143,145		28,047,534		23,187,783	
2. Trade notes and accounts receivable	*2	12,559,401		16,985,137		11,082,582	
3. Accrued operating receivables		9,630,574		12,524,407		10,891,345	
4. Inventories		1,167,100		736,689		695,555	
5. Deferred tax assets		348,179		499,789		576,099	
6. Prepaid expenses		912,402		1,356,999		1,347,642	
7. Others		2,068,159		1,058,777		1,132,726	
8. Reserve against defaults		-92,809		-132,283		-91,205	
Total current assets		42,736,154	38.9	61,077,051	42.2	48,822,530	38.9
<b>II Fixed assets</b>							
<b>1. Tangible fixed assets</b>							
(1) Buildings and structures	*1	1,841,206		8,292,963		3,119,107	
Cumulative depreciation and amortization		583,298	1,257,908	1,535,300	6,757,662	791,413	2,327,694
(2) Aircraft		3,604,655		3,604,655		3,604,655	
Cumulative depreciation and amortization		160,587	3,444,068	367,231	3,237,423	267,104	3,337,550
(3) Fixtures and equipment		4,068,055		5,707,718		4,617,977	
Cumulative depreciation and amortization		2,137,286	1,930,768	3,285,159	2,422,559	2,630,708	1,987,269
(4) Land	*1		19,839,006		24,968,536		24,955,856
(5) Construction suspense account			477,363		2,008,956		1,414,618
(6) Other areas		193,861		170,052		191,396	
Cumulative depreciation and amortization		139,530	54,331	131,361	38,690	148,591	42,805
Total tangible fixed assets			27,003,447		39,433,829		34,065,794
			24.6		27.2		27.2
<b>2. Intangible fixed assets</b>							
(1) Consolidated adjustment account			32,297,633		33,700,831		32,262,820
(2) Software			279,588		253,861		250,528
(3) Others			288,904		268,123		277,929
Total intangible fixed assets			32,866,126		34,222,816		32,791,278
			30.0		23.6		26.1

Classification	Note number	End of previous consolidated interim accounting term (December 31, 2004)		End of this consolidated interim accounting term (December 31, 2005)		Previous consolidated accounting year Summary consolidated balance sheet (June 30, 2005)	
		Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)
3. Investments and other assets							
(1) Investment securities		1,899,848		1,514,298		3,036,217	
(2) Long-term loans		532,602		989,202		610,347	
(3) Deferred tax assets		240,953		389,811		234,783	
(4) Bankrupt credits etc.		222,044		279,269		182,638	
(5) Lease guarantee money		3,443,735		5,085,410		3,619,047	
(6) Long-term prepaid expenses		739,920		1,862,854		1,584,884	
(7) Others		279,421		304,474		679,910	
(8) Reserve against defaults		-206,087		-262,746		-168,296	
Total investments and other assets		7,152,439	6.5	10,162,575	7.0	9,779,531	7.8
Total fixed assets		67,022,013	61.1	83,819,220	57.8	76,636,604	61.1
Total assets		109,758,167	100.0	144,896,272	100.0	125,459,134	100.0
<b>(Liabilities)</b>							
I Current liabilities							
1. Short-term borrowings	*1	21,211,057		11,005,228		22,088,652	
2. Accrued expenses		8,774,738		10,814,568		8,265,896	
3. Accrued corporate taxes etc.		1,883,543		2,175,021		2,765,774	
4. Accrued consumption tax etc.		1,358,950		1,047,976		1,564,128	
5. Others		3,439,051		7,237,965		4,569,589	
Total current liabilities		36,667,341	33.4	32,280,761	22.3	39,254,040	31.3
II Non-current liabilities							
1. New share acquisition rights		—		25,000,000		—	
2. Long-term borrowings	*1	31,900,400		45,813,502		47,560,426	
3. Reserve for retirement benefits		29,019		35,891		30,534	
4. Others		772,194		3,539,286		1,239,409	
Total non-current liabilities		32,701,613	29.8	74,388,680	51.3	48,830,369	38.9
Total liabilities		69,368,955	63.2	106,669,441	73.6	88,084,410	70.2
<b>(Minority shareholder equity)</b>							
Minority shareholder equity		1,848,594	1.7	1,318,703	0.9	1,244,502	1.0
<b>(Capital)</b>							
I Capital		14,118,990	12.9	14,118,990	9.7	14,118,990	11.3
II Capital surplus		36,047,102	32.8	32,169,923	22.2	36,047,102	28.7
III Retained earnings		-9,643,184	-8.8	-9,409,096	-6.4	-10,151,863	-8.1
IV Net unrealized gain on other securities		6,756	0.0	-30	0.0	1,498	0.0
V Foreign currency translation adjustment account		—		36,688	0.0	—	
VI Treasury shares		-1,989,047	-1.8	-8,347	0.0	-3,885,504	-3.1
Total capital		38,540,617	35.1	36,908,127	25.5	36,130,222	28.8
Total liabilities, minority shareholder equity and capital		109,758,167	100.0	144,896,272	100.0	125,459,134	100.0

## (2) Consolidated Interim Profit and Loss Statement

Classification	Note number	Previous consolidated interim accounting term (From July 1, 2004 to December 31, 2004)		This consolidated interim accounting term (From July 1, 2005 to December 31, 2005)		Previous consolidated accounting year Summary consolidated profit and loss statement (From July 1, 2004 to June 30, 2005)				
		Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)	Amount (× 1,000 yen)	Percentage (%)			
I Revenues			67,959,879	100.0		87,543,626	100.0		142,157,037	100.0
II Cost of sales			45,487,497	66.9		58,606,028	67.0		96,190,280	67.7
Gross profits			22,472,381	33.1		28,937,598	33.0		45,966,757	32.3
III Selling, general and administrative expenses										
1. Wages and allowances		7,480,642			10,425,755			16,674,491		
2. Retirement benefit expenses		3,629			26,899			8,754		
3. Leases		1,625,532			2,150,663			3,485,422		
4. Communications expenses		861,489			1,045,308			1,819,256		
5. Amortization of consolidated adjustment account		860,799			885,668			1,725,406		
6. Depreciation and amortization		584,159			700,324			1,340,648		
7. Allocation to reserve against defaults		22,957			133,704			37,148		
8. Advertising expenses		1,514,870			2,357,121			3,085,752		
9. Others		5,935,050	18,889,132	27.8	7,260,016	24,985,463	28.5	12,168,451	40,345,332	28.4
Operating profits			3,583,249	5.3		3,952,135	4.5		5,621,425	3.9
IV Non-operating profits										
1. Interest and dividend income		17,612			28,668			43,560		
2. Fees receivable		18,170			8,022			25,538		
3. Rent receivable		87,183			75,200			157,711		
4. Others		30,034	153,000	0.2	104,484	216,376	0.3	73,298	300,108	0.2
V Non-operating expenses										
1. Interest expenses		551,065			593,558			1,158,985		
2. Loss on equity investments		1,749			2,712			—		
3. Fees payable		68,858			86,637			115,065		
4. Others		158,988	780,663	1.2	182,694	865,602	1.0	327,215	1,601,268	1.1
Recurring profits			2,955,586	4.3		3,302,909	3.8		4,320,265	3.0
VI Extraordinary profits										
1. Profit on sale of fixed assets	*1	243,584			—			243,584		
2. Profit on sale of investment securities		120,371			1,759			120,371		
3. Profit on equity fluctuation		10,688			—			10,688		
4. Profit on debt relief		10,846			—			10,846		
5. Cancellation charge revenues		167,912	553,403	0.8	—	1,759	0.0	167,912	553,403	0.4

Classification	Note number	Previous consolidated interim accounting term (From July 1, 2004 to December 31, 2004)		This consolidated interim accounting term (From July 1, 2005 to December 31, 2005)		Previous consolidated accounting year Summary consolidated profit and loss statement (From July 1, 2004 to June 30, 2005)				
		Amount (× 1,000 yen)		Percentage (%)	Amount (× 1,000 yen)		Percentage (%)	Amount (× 1,000 yen)		Percentage (%)
VII Extraordinary losses										
1. Loss on sale of fixed assets	*2	166,288			34			166,349		
2. Loss on disposal of fixed assets	*3	73,038			12,419			119,873		
3. Appraisal loss on investment securities		—			—			14,999		
4. Loss on sale of investment securities		185			—			185		
5. Reorganization expenses		110,127	349,639	0.5	—	12,454	0.0	110,127	411,536	0.3
Net interim (full-year) profits before taxes etc.			3,159,350	4.6		3,292,214	3.8		4,462,132	3.1
Corporate tax, residential tax and business tax		1,579,218			2,094,629			3,192,457		
Corporate tax etc. adjustment		59,838	1,639,056	2.4	-70,168	2,024,460	2.3	-180,828	3,011,629	2.1
Minority shareholder interests			13,020	0.0		—			—	—
Minority shareholder losses			—	—		36,541	0.0		13,055	0.0
Net interim (full-year) profits			1,507,273	2.2		1,304,295	1.5		1,463,558	1.0

## (3) Consolidated Interim Surplus Statement

		Previous consolidated interim accounting term (From July 1, 2004 to December 31, 2004)		This consolidated interim accounting term (From July 1, 2005 to December 31, 2005)		Previous consolidated accounting year (From July 1, 2004 to June 30, 2005)	
Classification	Note number	Amount (× 1,000 yen)		Amount (× 1,000 yen)		Amount (× 1,000 yen)	
<b>(Capital surplus)</b>							
I Capital surplus at start of term			36,047,102		36,047,102		36,047,102
II Decline in capital surplus Write-off of treasury shares		—	—	3,877,179	3,877,179	—	—
III Capital surplus at end of interim term (accounting year)			36,047,102		32,169,923		36,047,102
<b>(Retained earnings)</b>							
I Retained earnings at start of term			-10,314,800		-10,151,863		-10,314,800
II Increase in retained earnings							
1. Net interim (full-year) profits		1,507,273		1,304,295		1,463,558	
2. Increase in surplus from change of accounting terms of consolidated subsidiaries		—	1,507,273	—	1,304,295	5,573	1,469,132
III Decrease in retained earnings							
1. Dividends		636,004		464,537		1,106,541	
2. Bonuses to directors and corporate auditors		90,603		60,000		90,603	
3. Decrease in retained earnings due to increase in subsidiaries		107,452		36,990		107,452	
4. Decrease in retained earnings due to mergers		1,597	835,657	—	561,528	1,597	1,306,195
IV Retained earnings at end of interim term (accounting year)			-9,643,184		-9,409,096		-10,151,863

## (4) Consolidated Interim Cash Flow Statement

		Previous consolidated interim accounting term (From July 1, 2004 to December 31, 2004)	This consolidated interim accounting term (From July 1, 2005 to December 31, 2005)	Previous consolidated accounting year (From July 1, 2004 to June 30, 2005)
Classification	Note number	Amount (× 1,000 yen)	Amount (× 1,000 yen)	Amount (× 1,000 yen)
I Cash flows from operating activities				
1. Net interim (full-year) profits before taxes etc.		3,159,350	3,292,214	4,462,132
2. Depreciation and amortization		749,765	819,467	1,657,883
3. Profit on sale of fixed assets		-243,584	—	-243,584
4. Loss on disposal and sale of fixed assets		239,326	12,454	286,223
5. Amortization of consolidated adjustment account		860,799	885,668	1,725,406
6. Write-off of long-term prepaid expenses		110,508	103,877	226,789
7. Change in reserve against defaults		22,957	133,704	-16,438
8. Change in reserve for retirement benefits		918	5,357	2,433
9. Interest and dividends receivable		-17,693	-28,668	-53,641
10. Interest expenses		551,065	593,558	1,158,985
11. Loss on equity investments		1,749	2,712	—
12. Profit on sale of investment securities		-120,371	-1,759	-120,371
13. Cancellation charge revenues		-167,912	—	-167,912
14. Loss on sale of investment securities		185	—	185
15. Appraisal loss on investment securities		—	—	14,999
16. Reorganization expenses		110,127	—	110,127
17. Increase in trade notes and accounts receivable		-4,594,738	-5,587,380	-3,085,630
18. Increase in accrued operating receivables		-1,367,105	-1,633,062	-2,627,876
19. Decrease in inventories		174,162	-6,021	548,403
20. Increase in lease guarantee money		-377,944	-1,122,177	-910,854
21. Increase in accrued expenses		3,035,773	2,062,304	2,399,157
22. Others		-1,590,905	1,745,281	-1,985,616
Subtotal		536,435	1,277,532	3,380,801
23. Interest and dividends received		12,517	105,996	48,465
24. Interest paid		-595,821	-663,176	-1,026,395
25. Cancellation charges received		167,912	—	167,912
26. Corporate tax etc. paid		-1,442,575	-2,789,178	-2,155,981
Cash flows from operating activities		-1,321,531	-2,068,825	414,802

		Previous consolidated interim accounting term (From July 1, 2004 to December 31, 2004)	This consolidated interim accounting term (From July 1, 2005 to December 31, 2005)	Previous consolidated accounting year (From July 1, 2004 to June 30, 2005)
Classification	Note number	Amount (× 1,000 yen)	Amount (× 1,000 yen)	Amount (× 1,000 yen)
II Cash flows from investing activities				
1. Net increase in time deposits		-5,018	—	4,010
2. Proceeds from sale of investment securities		176,082	15,601	176,082
3. Expenditures for additional acquisition of consolidated subsidiary equity		—	-25,846	-1,655,270
4. Expenditures for acquisition of subsidiary equity in conjunction with change of scope of consolidation		-2,171,875	-562,102	-2,171,875
5. Expenditures for acquisition of tangible fixed assets		-4,574,077	-2,229,816	-12,175,885
6. Expenditures for acquisition of non-consolidated subsidiary equity		-400,000	-50,000	-1,363,000
7. Proceeds from sale of tangible fixed assets		411,589	2,964	779,308
8. Expenditures for acquisition of intangible fixed assets		-96,987	-17,298	-136,892
9. Expenditures for loans		-1,370,850	-2,502,257	-2,493,440
10. Proceeds from collection of loans		8,304	1,202,776	2,065,269
11. Expenditures in conjunction with reorganization		-110,127	—	-110,127
12. Others		9,774	79,492	160,728
Cash flows from investing activities		-8,123,185	-4,086,486	-16,921,092

		Previous consolidated interim accounting term (From July 1, 2004 to December 31, 2004)	This consolidated interim accounting term (From July 1, 2005 to December 31, 2005)	Previous consolidated accounting year (From July 1, 2004 to June 30, 2005)
Classification	Note number	Amount (× 1,000 yen)	Amount (× 1,000 yen)	Amount (× 1,000 yen)
III Cash flows from financing activities				
1. Net increase in short-term borrowings		1,366,500	-13,220,000	7,588,870
2. Proceeds from long-term borrowings		17,392,057	2,500,000	30,792,057
3. Expenditures for repayment of long-term borrowings		-4,634,181	-3,309,986	-7,816,431
4. Proceeds from payments for equity by minority shareholders		20,000	—	20,000
5. Expenditures for redemption of bonds		-65,000	—	-65,000
6. Expenditures for acquisition of treasury shares		-1,981,343	-21	-3,877,801
7. Proceeds from issue of bonds		—	24,971,428	—
8. Others		-700,557	-565,049	-1,228,366
Cash flows from financing activities		11,397,474	10,376,370	25,413,328
IV Conversion discrepancies for cash and cash equivalents		—	—	—
V Increase in cash and cash equivalents		1,952,757	4,221,057	8,907,038
VI Cash and cash equivalents at beginning of term		13,942,516	23,187,783	13,942,516
VII Increase in cash and cash equivalents from increase in consolidated subsidiaries		238,842	638,692	238,842
VIII Increase in cash and cash equivalents from change of accounting terms		—	—	99,385
IX Balance of cash and cash equivalents at end of interim term (end of year)		16,134,116	28,047,534	23,187,783